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FISCAL IMPACT STATEMENT

LS 6178

BILL NUMBER: HB 1375

NOTE PREPARED: Jan 11, 2012

BILL AMENDED:

SUBJECT: Personal Needs Allowance.

FIRST AUTHOR: Rep. Borders

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the monthly personal allowance for: (1) residential care assistance recipients living in county homes; (2) Medicaid recipients receiving care in a hospital or nursing facility; and (3) Medicaid recipients living in community residential facilities for the developmentally disabled; from \$52 to \$60.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Summary-* The additional cost to the state for increasing the personal needs allowance from \$52 to \$60 for Residential Care Assistance Program (RCAP) recipients and Medicaid recipients living in community residential facilities for the developmentally disabled, hospitals, or nursing facilities is estimated to be \$1.2 M in FY 2013 and \$1.3 M in FY 2014.

Total expenditures are estimated to be \$3.5 M in FY 2013 and \$3.6M in FY 2014, with the federal share amounting to \$2.3 M in each of the two years.

Background Information- Medicaid recipients who are residents of nursing facilities, hospitals, assisted living facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and individuals receiving assistance through the Assistance to Residents of County Homes (ARCH) and Room and Board Assistance (RBA) programs are allowed a monthly personal needs allowance of \$52 for FY 2012. The combined ARCH and RBA programs are jointly referred to as the Residential Care Assistance Program, or RCAP. In the case of an RCAP recipient with no income, the state pays the recipient the personal needs allowance. This amount is not

considered income to the individual in the determination of eligibility and is for the exclusive use of the recipient for personal needs.

Based on estimated numbers of Medicaid recipients in state-operated facilities, nursing facilities, CRF/DDs, as well as recipients of residential assistance in the RCAP program (a state-funded residential program), the total additional cost of increasing the personal needs allowance by \$8 per month (to a total of \$60) would be about \$3.5 M for FY 2013. This represents the total additional benefit to institutionalized individuals. This total expenditure consists of about \$2.3 M in federal share and about \$1.2 M in state dollars. (This is based on Medicaid program cost shares of about 67% federal and 33% state.) As part of the impact to the state, the cost of changing the personal needs allowance for an estimated 1,250 RCAP recipients is about \$120,000 annually and would be funded solely from state funds. Nursing facility estimates are based on institutionalized client forecast data for FY 2013 and FY 2014.

This estimate would be overstated to the extent that some individuals in the Medicaid program would have zero income. Increasing the personal needs allowance for an individual with no income would not affect state costs.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 33% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 67%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures*, above, regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, Division of Aging, Division of Disability and Rehabilitative Services, FSSA.

Local Agencies Affected: County homes.

Information Sources: Medicaid Forecast (Average Monthly Enrollment Forecast: SFY 2011 - SFY 2014), December 14, 2011, FSSA.

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